

# **EVM - The UK MoD Perspective**

Martin Blackmore

Directorate of Procurement Management  
Policy

UK Ministry of Defence

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing this collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS.				
1. REPORT DATE (DD-MM-YYYY) 09-06-1998		2. REPORT TYPE Conference presentation		3. DATES COVERED (FROM - TO) 08-06-1998 to 09-06-1998
4. TITLE AND SUBTITLE EVM - The UK MoD Perspective Unclassified			5a. CONTRACT NUMBER	
			5b. GRANT NUMBER	
			5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S) Blackmore, Martin ;			5d. PROJECT NUMBER	
			5e. TASK NUMBER	
			5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME AND ADDRESS UK Ministry of Defence XXXXX XXXXX, XXXXXXXX			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME AND ADDRESS OUSD(A&T) ,			10. SPONSOR/MONITOR'S ACRONYM(S)	
			11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT APUBLIC RELEASE ,				
13. SUPPLEMENTARY NOTES Papers and presentations from Management of Projects Seminar held June 8-9, 1998 in Stockholm Sweden.				
14. ABSTRACT See Report.				
15. SUBJECT TERMS				
16. SECURITY CLASSIFICATION OF:		17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19. NAME OF RESPONSIBLE PERSON
		Public Release	17	http://www.acq.osd.mil/pm/paperpres/0698swe_conf. (blank) lfenster@dtic.mil
a. REPORT Unclassified	b. ABSTRACT Unclassified	c. THIS PAGE Unclassified		19b. TELEPHONE NUMBER International Area Code Area Code Telephone Number 703767-9007 DSN 427-9007
				Standard Form 298 (Rev. 8-98) Prescribed by ANSI Std Z39.18

# Defence Procurement Statistics

- PE employs approximately 5400 staff.
- ~£B6.5 per year spent on new equipment.
- ~£B2.5 per year on spares and maintenance.
- ~275,000 jobs in British industry are directly or indirectly supported by this expenditure.
- ~70,000 contracts placed per year.
- ~10,000 firms are working on defence business.

Source: UK Defence Statistics 1997

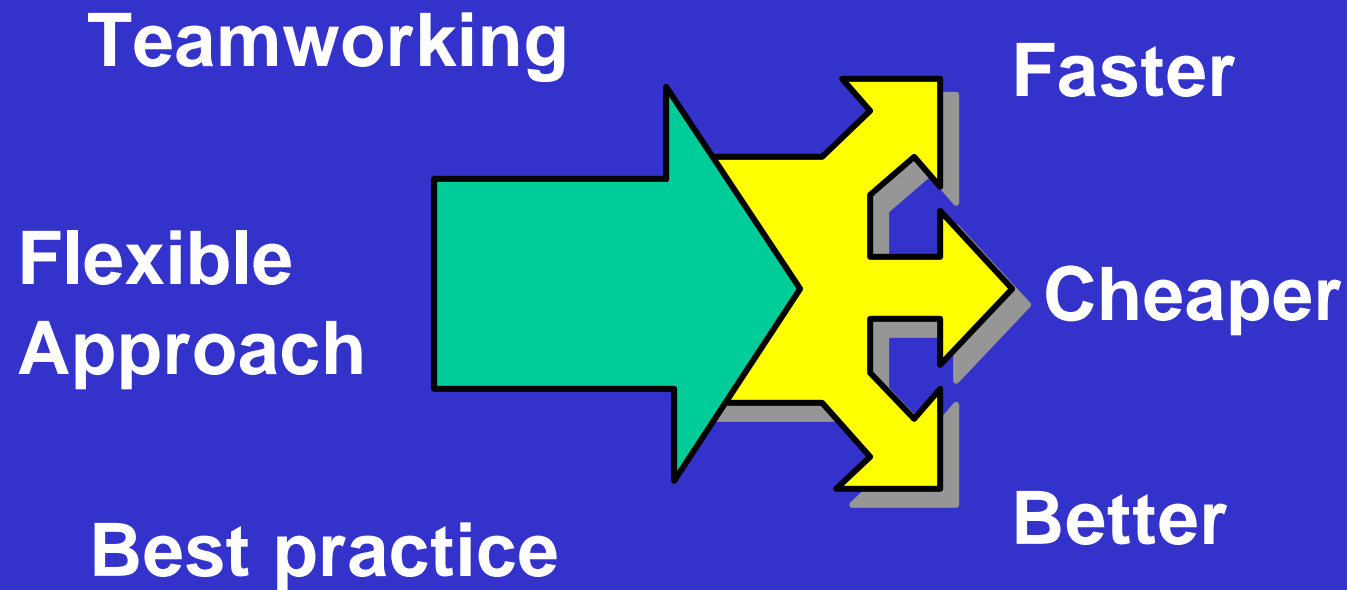
# Defence Procurement Characteristics

- High value - low volume (Top 25 projects account for approx £B35).
- Complex systems using leading-edge technology.
- Must provide competitive advantage in the battlefield, zero risk is not an option.
- Public accountability, risk adverse.
- VFM - competitive national defence industry.
- International collaboration.
- Defence market is small part of total market for new technology.

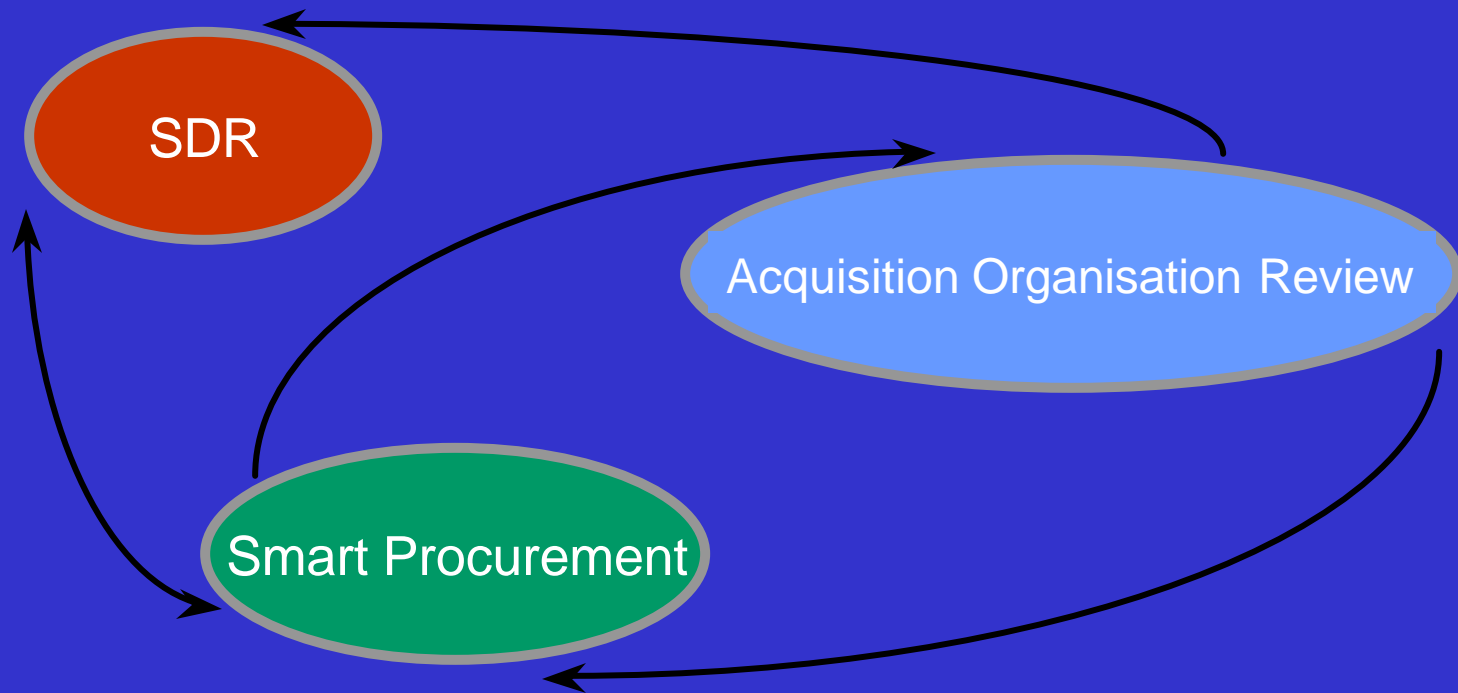
# Drivers for Change

- In July 1997 Secretary of State announced that the SDR would include a “Smart Procurement initiative...”
- Need to eliminate cost overrun and slippage.
- Defence resources decreased in recent years.
- Military tasks are less predictable.
- Technology evolving quickly.
- Changing Industrial scene.

# Smart Procurement: What is it?



# Smart Procurement & The Acquisition Organisation Review



- SP Assumes existing organisations and reviews processes
- AOR Matches organisational structures to procurement processes (more radical pan-MOD acquisition process)

# Smart Procurement: Key Themes

- Systems Engineering (Through-life).
- Integrated Stakeholder Project Teams.
- Incremental Acquisition  
& Concurrent Engineering.
- Rapid Pull-Through of Technology.



# Single Team

- Bringing together requirements, technical, procurement, contracts, finance and logistics staff into one team.
- Under the clear leadership of a team leader able to balance trade-offs between performance, time and cost within boundaries set by approving authority.
- Includes industry(prime and major sub-contractors), except during competitions, and remains intact during life of project.

# Single Customer

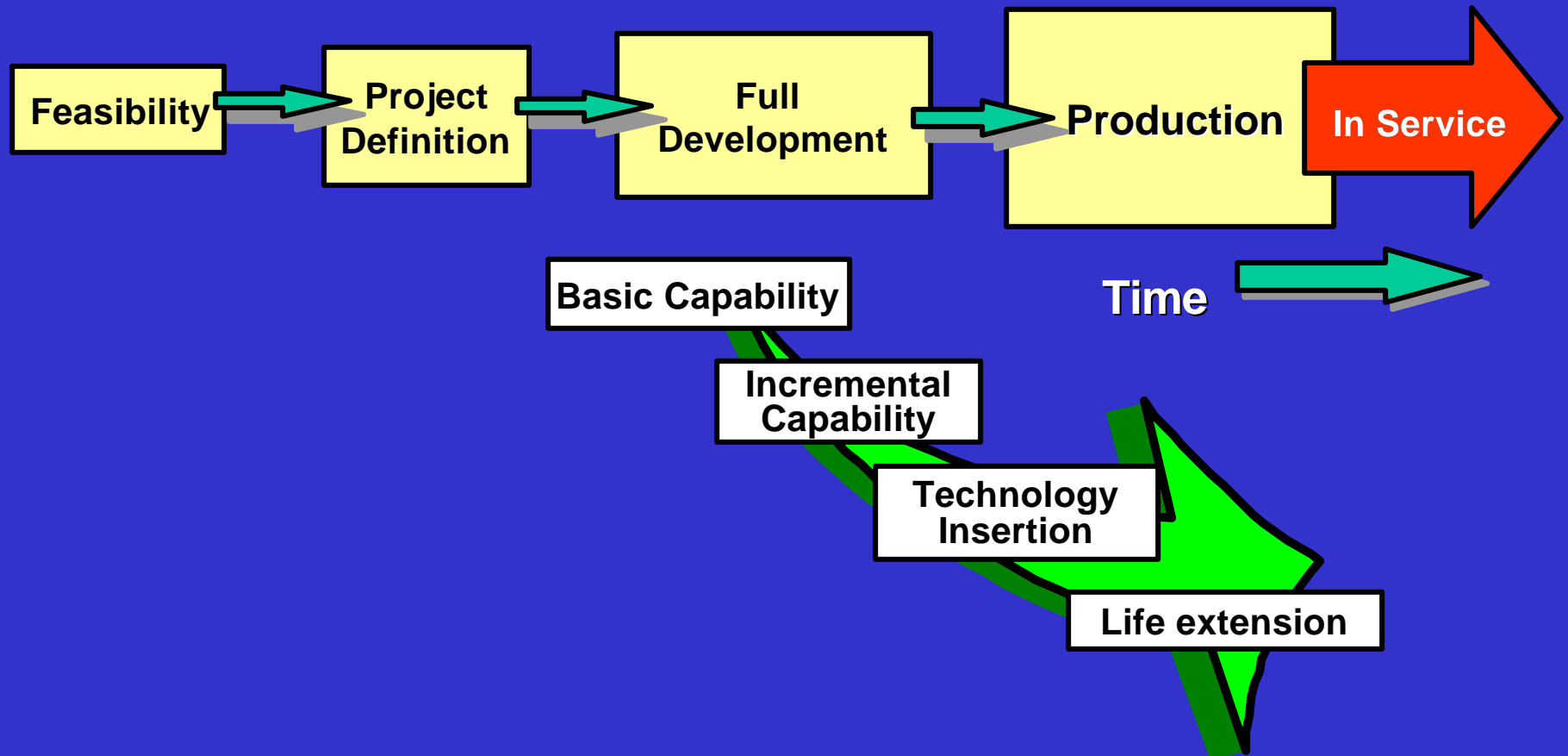
- Identification of a clear customer within MoD for the final output of the project team. Customer likely to be MoD Centre until acceptance and Single Service subsequently.

# Flexible Practices

A segmented approach to acquisition :

- Tier I - OTS items, low tech risk and UPC, eg vehicles and commodity items.
- Tier II - Defence specific items, MoD needs to be intelligent customer, eg. sub-systems, stand-alone weapons or equipment upgrades.
- Tier III - Most complex weapons and platforms, which require the integration of Tier I & II equipment and interaction with others, high UPC and substantial technical risk.

# The Outcome?



# UK MoD - EVM Current Status

- Exposure to EVM reports on Replacement Maritime Patrol Aircraft, Joint Strike Fighter and some aero-engine Technology Demonstrator Programmes (TDPs).
- No formal MOD contractual conditions for the provision of EV data or reporting.
- Although mentioned in MoD(PE) policy and guidance there is little general awareness within MoD Projects.

# Smart Procurement and EVM - A Culture Change

- Smart Procurement(SP)/AOR will radically change the way the MoD does business.
- EVM is consistent with the thrust of SP/AOR and will complement both.
- MoD recognises that EVM provides not only an effective management discipline at the working level but also a powerful means of communication throughout the project.
- Combination of planning, integrated cost, schedule and technical performance measurement will yield a greater visibility of actual performance against programme than is currently available.

# MOD(PE) Policy on EVM

- Although EVM will not be mandated, the inclusion of EVM in bids will be recognised as a step forward towards improved Risk Management.
- Acknowledges EVM as “Best Practice” and fully supports its adoption in Defence Procurement.
- MoD(PE) staff to be educated about EVM.
- EVM to be considered for internal MoD(PE) applications.
- MoD(PE) wishes to become a full participating member of the IPMC.

# **EVM in the UK - Recent Events**

- **6th May 98 - CDP gave his 'strong support' to EVM as 'best practice' for defence procurement. UK to join IPMC as a full participating member.**
- **19th May 98 - Members of the IPMC briefed UK EVM Industry User Group. EVM Guidelines to be produced.**
- **20th May 98 - EVM Conference in London.**
- **21st May 98 - Briefing to MOD(PE) Senior Staff by IPMC Members.**
- **June 98 - Core Briefing/Publicity for all MOD(PE) Staff.**

# Way Forward

- To encourage UK Industry to embrace EVM as “Best Practice” to the benefit of both MoD and Contractor.
- To fully participate as a full member of the IPMC and learn from other nations'/organisations' experiences.
- To participate in UK Industry EVM User Groups to further understand how the implementation of EVM will assist both MoD and Contractor.
- Application of EVM to Fixed Price Contracts?



# Summary

- Smart Procurement is the way ahead for Defence Procurement.
- There are a number of key enablers.
- EVM can provide the discipline for rigorous programme management.

